GOVERNMENT OF INDIA
COMMUNICATIONS
LOK SABHA

UNSTARRED QUESTION NO:3236
ANSWERED ON:13.08.2001
VIDESH SANCHAR NIGAM LIMITED
MANSINH PATEL;PAWAN KUMAR BANSAL;RATNA SINGH;RUPCHAND PAL;Y.S. VIVEKANANDA REDDY

Will the Minister of COMMUNICATIONS be pleased to state:

(a) whether even under the W.T.O. agreement, monopoly of Videsh Sanchar Nigam Limited (VSNL) in international telephony was scheduled to last till the year 2004;

(b) if so, the reasons for deciding to pre-pone this termination to 2002;

(c) the reaction of international investors in VSNL; and

(d) the effect of the decision on the price of its shares and the total loss likely to be incurred in disinvesting 25 percent shares as stipulated?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS (SHRI TAPAN SIKDAR)

(a) A commitment was given to WTO in April, 1997 that subject of opening up of international telephony services to competition would be reviewed in the year 2004.

(b) The objectives set forth in the National Telecom Policy of 1994 include private investment and participation to bridge the resource gap. Thus, the Government committed itself to deregulate he telecom sector in a phased manner. Government further decided that it was not in the pubic interest to allow VSNL`s monopoly on international voice services till 2004, as it was perceived to be a serious constraint on the development of telecom sector in the country. It was, therefore, decided to terminate the monopoly on 31.03.2002. However, Government has announced a compensation package to take care of likely loss to VSNL on account of this decision.

(c) Government has not received any reaction from international investors in VSNL.

(d) There was a fall in the price of the VSNL shares after the announcement of withdrawal of monopoly of VSNL. The share price is determined in the market by various market forces and market sentiments. Further, according to available sources, it appears that there was a sharp decline in the share value of almost all Indian technology companies during March to May 2000 as reflected in Bombay Stock Exchange Information Technology Index. The fall in share price of VSNL during this period was comparable to the general trend of Indian Capital Market in technology sector. Therefore, no loss is likely to be incurred in disinvesting 25% shares, on this account.